

**BUSINESS PERFORMANCE FOR PRIVATE HIGHER EDUCATION
INSTITUTIONS IN MALAYSIA**

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ABSTRAK

Melihatkan pembangunan dalam ekonomi dunia hari ini, dan globalisasi, Malaysia menyedari bahawa 'pengetahuan' adalah passport kepada kemakmuran dan kestabilan sosial. Tujuan kajian untuk mengenal pasti prestasi Institut Pendidikan Tinggi Swasta (IPTS) Malaysia berdasarkan bagi setiap faktor-faktor utama, iaitu reputasi, pentauliahan, kemasukan, dan kewangan. Pada mulanya, kegagalan Institut Pendidikan Tinggi Swasta (IPTS) ini boleh menjejaskan hasrat Malaysia menjadi sebuah hab pendidikan di rantau ini. Temu bual telah dijalankan dengan kakitangan pengurus kanan dan pertengahan daripada IPTS, yang dapat memberikan maklumat yang tepat, dan berkaitan dengan persoalan kajian. Pengumpulan data peribadi dari para peserta itu sendiri dilakukan. Faktor-faktor prestasi perniagaan IPTS, adalah 1) misi yang jelas dan tertakrif dengan sempurna, nilai dan strategi; 2) gaya pengurusan atasan dan kepimpinan dan sokongan; 3) penyertaan dan penglibatan jumlah yang membawa kepada prestasi; 4) transformasi dan perubahan pengurusan; 5) pengurusan sumber manusia; dan 6) integrasi Jabatan dan komunikasi.

ABSTRACT

In view of today's development in the world economy, and globalization, Malaysia recognises that 'knowledge' is the passport to prosperity and social stability. The purpose of the study to identify the performance of Private Higher Education Institutions (IPTS) Malaysia based on each main factors, namely reputation, accreditation, admission, and finance. Initially, the failures Private Higher Education Institutions (IPTS) this could affect Malaysia's aspiration to become an education hub in the region. The interviews were conducted with personnel the senior and middle managers of the PHEIs, who are able to give the right information and related to the research questions by getting the data collection personally from the participants themselves. The important factors of these for business performance of the PHEIs, i.e. 1) clear and well defined mission, values and strategy; 2) top management and leadership style and support; 3) participation and total involvement that leads to performance; 4) transformation and change management; 5) human resource management; and 6) departmental integration and communication.

TABLE OF CONTENT

Chapter 1 Introduction

1.1	Introduction	1
1.2	Problem Statement	3
1.3	Research Objectives	6
1.4	Research Questions	6
1.5	Terms of Reference	6
1.6	Scope of the Research	6
1.7	Significance of Research	7

Chapter 2 Literature Review

2.1	Introduction	9
2.2	Criticism Against Worldwide Development of Private Higher Education Institutions	11
2.3	Historical Review	12
2.4	The Development of Higher Education Provider HEP in Malaysia	14
2.5	Global Growth of Private Higher Education Institutions	17
2.6	Reasons Behind the Dramatic Growth in PHE	21
	2.6.1 Financial Consideration	21
	2.6.2 The Emergence of Private Higher Education in Malaysia	23
2.7	The Private Higher Educational Institutions Act, 1996	26
2.8	Theoretical Underpinnings	40
2.9	SME Competitive Rating for Enhancement Tool (SCORES)	42
2.10	Organizational Attributes	42
	2.10.1 Institutional Image	42

	2.10.2 Financial Strength	44
	2.10.3 Strategic Alliances	44
	2.10.4 Quality of Academic Staffs	46
	2.10.5 Entrepreneurial Firm Culture	47
2.11	Entrepreneurial Traits	49
	2.11.1 Need for Achievement	50
	2.11.2 Locus of Control	51
	2.11.3 Innovativeness	52
	2.11.4 Risk Taking	53
2.12	Institutions Business Environment	53
	2.12.1 Environmental Hostility	54
	2.12.2 Environmental Uncertainty	55
2.13	Strategic Positioning	5
	2.13.1 Differentiation Strategy	56
	2.13.2 Cost Leadership Strategy	56
	2.13.3 Focus Strategy	57
2.14	Organizational Performance	57
Chapter 3 Research Methodology		
3.1	Research Design	59
3.2	Qualitative Approach: Factors	60
3.3	Data Collection and Analysis	60
3.4	Reliability and Validity	61
Chapter 4 Findings and Discussions		
4.1	Introduction	62
4.2	Qualitative	62
	4.2.1 Clear and Well Defined Mission, Values and Strategy	63
	4.2.2 Top Management and Leadership Style and Support	64
	4.2.3 Participation and Total Involvement That Leads to	65

	Performance	
	4.2.4 Transformation and Change Management	68
	4.2.5 Human Resource Management	69
	4.2.6 Departmental Integration and Communication	71
Chapter 5 Conclusions and Recommendations		
5.1	Business Performance factors of PHEIs	74
5.2	Contribution	75
5.3	Conclusion and Future Direction	76
	REFERENCES	78

LIST OF TABLE

Table 2.1	Enrolment According to Education Level in Malaysia	18
Table 2.2	Listing of Private Higher Educational Institutions (IPTS) 2012	35
Table 2.3	Number of Academicians of Private HEI by Highest Qualifications, 2009-2010	36
Table 2.4	Number of Private HEI Offering Programmes by Fields of Study, 2009-2010	37
Table 2.5	Historical View of the Resourced-Based View	41

LIST OF FIGURES

Figure 2.1	Asia's Private Enrolment and Institutional Shares by Country, 2003-2009	20
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CHAPTER 1

INTRODUCTION

1.1 Introduction

Education is a growing industry and Malaysia is gaining acceptance as a reputable study destination in the region. The Government of Malaysia is firm in its resolution to ensure the re-emergence and continuance of excellence in higher education in the country, so that institutions of higher learning are capable of producing Malaysians of quality human capital who are fully competent to make outstanding contributions to the development of the nation. In order to get a sustainable competitive advantage, PHEIs should alert of their performance.

The education sector offers a variety of higher educational programs as well as professional and specialised skill courses that are comparatively priced and of excellent quality. Underlying this is the current trend of reputable universities from the UK and Australia setting up branch campuses here, whilst other universities from USA, Canada, Australia, France, Germany and New Zealand offer twinning, franchised and external degree programs in partnership with Malaysian institutions.

It is observed that more public and private higher education institutions (PHEIs) are built to meet the demand for professional qualifications and a trained workforce. New programmes and courses are continuously being introduced. In view of today's development in the world economy, and globalization, Malaysia recognises that

‘knowledge’ is the passport to prosperity and social stability. With a market economy, Malaysia has a good communication infrastructure for education in terms of printing, radio and television broadcasts, telephone, postal services and telecommunication. In the context of the advanced developing nations, Malaysia has set a good example by coping with any problems and challenges that have arisen as it expands its tertiary education system (Hussin, 2004). At the time of independence in 1957, Malaysia had only one university. By 2007 the number has increased to 20 public and 18 private universities.

Higher education in Malaysia began with the formation of University Malaya in 1959. To date, twenty public universities have been established in Malaysia to cater for the increasing needs of business and industry (MOE, 2010). In general, higher education institutions can be categorized into public and private universities. These universities provide undergraduate, postgraduate and diploma programs. All these universities are offering programs of various disciplines (MOHE, 2008).

The definition of PHEIs in the Malaysian Private Higher Educational Institutions Act (1996) is “These are a private higher educational institution without the status of a University or University College or a branch campus; or a private higher educational institution with the status of a University or University College or a branch campus”. Such institutions emerged tremendously in the 1990s (Ibrahim & Soufani, 2002) and could provide more and adequate education opportunities, in terms of more places for students to obtain knowledge after their secondary schools and varieties of courses and programmes offered to students, which could not be fully provided by

public HEIs since there are restrictions such as in regulations, quota, spaces, facilities and budget.

Malaysia is a fast developing nation. The country is transforming itself and moving aggressively towards building an effective and successful 'K' Economy. Our society according to Tan (2000: p.59) "... is information and knowledge hungry. We need greater speed, more efficiency and effectiveness in all our endeavours. For this, we need all the knowledge and information that we can get from all sources, and from around the world."

The purpose of the study to investigate the business performance of the PHEIs in Malaysia based on the previous research findings (Abdul Rahim, Fariza, Filzah, Ahmad, Hisham & Salleh, 2009).

1.2 Problem Statement

While numerous studies have been carried out to examine academic career in Malaysia (Sohail, Jegatheesan & Nor Azlin, 2002; Amin, 2002; Leathermen, 2000; Siron, 2005; Maimunah & Roziah, 2006), however, none of them has focused on the background and challenges faced by the academics in private IHLs.

The complexity of rapidly changing environment makes it challenging to management the businesses. Therefore, there is a need to analyze several areas of performance simultaneously (Kaplan & Norton, 1992; 1996). Given the uniqueness of the PHEIs in Malaysia based on (Abdul Rahim *et al.*, 2009) the performance should be based the factors found crucial in the PHEIs.

The scenario faced by the Malaysian PHEIs has led to serious implications. Initially, the failures of these institutions could jeopardize Malaysia's intention of becoming an education hub in this region. This in turn lowered the public confidence of sending their children to PHEIs apart from dampening the government strategic planning of achieving certain percentage of the Malaysian population of having a degree. Koslowski (2006) stated in his article that, in such environment, institutions of higher education will continue to be scrutinized by external stakeholders until evidence of improved quality is provided. It is also claimed by Juwaheer (2007) that universities should begin seriously to assess how well they are anticipating, meeting and delighting students; as well as their primary focus on understanding students' needs in order to check on their quality performance.

In the educational sector, each school of faculty need to establish its core competencies based on its mission and vision, besides thinking of its current resources and state of competitiveness (Chen, Yang & Shiau, 2006, pp. 192). Although many institutions have a vision, it is important for HEI administrators to have a realistic grip on the institution's strongest position (Higher Education Review, 2004). Burrell and Grizzell (2008) argued that the successful institutions will be those that can do strategic marketing planning, carve out niches, and develop new programs that will drive students to the institution. These organizations must exhibit to its current and future consumers that they are capable and this capability may need to be shown as their firm distinctive capabilities. Work on core competencies by Snyder and Eberling (1995) suggests that an institution should look at its system of activities and assess the value that they add not only to the present revenue but to the future potential of the organisation. Fleury and Fleury (2003) reiterated that this

capability should be more relevant for the achievement of the strategic objectives of a given firm and can be considered as the distinctive capabilities or the core competence of the firm. King and Zeithaml (2001) study revealed that although firm capabilities or competencies are associated with high performance, it appears that these constructs are a stronger indicator of high performance. This indicates the value and importance of a clear understanding of firm capabilities that distinguish a firm's competitive position. To emphasize this point, Fleury and Fleury (2003) argued that organization needs to concentrate on the development of firm distinctive capabilities where it needs to excel to be competitive.

King *et al.* (2001) argued that although managers and scholars often claim organisational competencies is the most critical sources of competitive advantage, many firms are often vaguely aware of the value of their competencies or important competencies that they lack. Therefore, an understanding and awareness of a firm's competencies are needed for the development of those competencies. In addition, identification of competency can point to areas where investment is required to protect or enhance the firm's competitive position.

Therefore, it is beneficial to measure the business performance of the PHEIs in order to ensure the sustainable competitive advantage as stressed by Abdul Rahim *et al.* (2009).

1.3 Research Objectives

This study proposes the business performance for the PHEIs. Specifically, the research objectives of this study are as follows:

1. To validate the proposed business model to the private higher education institutions.
2. To identify the business performance for each key factors i.e reputation, accreditation, admission and financial.
3. To establish the key factors of the business performance for the PHEIs

1.4 Research Questions

Based from the problem statements derived for this study, the objectives are:

1. Does the business model can be worked in the PHEIs? How?
2. What is the level of business performance in the PHEIs?
3. What is the business performance for each key factors i.e reputation, accreditation, admission and financial?

1.5 Terms of Reference

The Terms of Reference as for this study are proposed as below:

1. Validate the business model proposed based on the previous findings
2. Plan an appropriate research strategy to answer the research questions
3. Provide recommendation to the ministry for continuous improvements

1.6 Scope of the Research

Although PHEIs are fully-funded by the private sector, they fall under the jurisdiction of the Ministry of Higher Education (MOHE) and are governed by

various legislation to ensure the provision of quality education. The legislation includes:

- The Private Higher Education Institutions Act 1996
- The National Council of Higher Education Act 1996
- The Malaysian Qualifications Agency Act 2007
- The National Higher Education Fund Corporation Act, 1997 (Amendment 2000)
- The Private Higher Educational Institutions (Amendment) Act 2009

The majority of PHEIs use English as the medium of instruction for their courses. Besides offering education opportunities to Malaysian students, these institutions have also become a very popular choice among many international students.

At the beginning of 2011, there were 452 PHEIs approved by MOHE and are categorised as below:

Categories of PHEIs	Number
- University	23
- University College	21
- Foreign University Branch Campus	5
Non-university status	403
TOTAL	452

Source: www.mohe.gov.my

1.7 Significance of Research

The study attempts to contribute to the development of the business performance to alert the PHEIs about their achievement. The previous studies of the critical success

factors in PHEIs which is done comprehensively by Abdul Rahim *et al.* (2009) provide a foundation for the current researcher to develop the business performance more systematically. Other than that, utilising the proposed is hope to send a signal to the top management about the current performance of the organization. Furthermore, the study is help to demonstrate the organizational strategic value by employing the comprehensive view of the organisation. The long-range strategic plan should be reviewed accordingly on a periodic basis to analyze progress and to update objectives and measures. The PHEIs can plan their resources based on the identified for the organization.

This paper is an attempt to unpack these developments and examine the implications of the current trend for future State-University relationship. It is argued in this paper that State-centrism is still strong but the wave of neo-liberalism is coming to Malaysia's shore (Mok 2007; Morshidi & Abdul Razak 2008). In the context of future developments and in the light of the increasingly competitive international higher education scenario, painful decision has to be made, and fast. For instance, the use of English Language in universities is seen by some 'nationalists' as contrary to the national aspirations.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

Literatures on higher educations have shown that in a decade ago topics on private or non-government higher education institutions were not globally discussed and yet literatures have indicated that over this period the provision for private higher institutions has increased exponentially in several countries (Lim, 2008). This part of the research provides a brief overview of the private and nongovernmental higher education institutions till 2009 and equally examines some important themes that relate to the provisioning of private higher education institutions (PHEIs) in the global market. Discussions under this part are not meant to be an in-depth exploration of the topic, nor that is it meant to advocate for private institutions to replace the public education system. It is primarily meant to examine the roles of the private higher education in meeting the need for the required demand for access to qualitative education system.

Some scholars have argued that the successes that have accrued to the education sector through the Millennium Development Goals have led to an unprecedented demand in higher education system (Newman & Couturier, 2002). This is because many governments have heavily invested in early the childhood and the secondary education system, further resulting in high numbers of qualified learners that have

caused the current inadequate provisions that are available to meet higher education demands (Aihara, 2009).

Literatures have shown that the demand for places in the higher education system far outstrips the supply of the available seats globally (Arokiasamy *et al.*, 2008). Authors such as Abu Bakar *et al.* (2009) have predicted that the demand for the higher education system globally would have expanded from the 97 million students in 2000 to around 262 million students by the year 2025. All these formed the basis the arguments in favor of the private higher institutions whose market has been estimated to have reach US\$400 billion in 2006 worldwide and has continue to grow particularly in developing economies (Lim, 2008). Some argued that the above figure may be much more higher because of the difficulty that are inherent in quantifying the investment in infrastructures such as cost of land and constructions and other capital investments that are put in by the private providers of higher education (Erk, 2009).

Similarly the Private Higher Education Institutions can work individually or collectively in identifying new skills that are required in regions where there are promising industrial growth such as the information technologies or the engineering. This is because they are more cost efficient than the public higher institutions, given the fact that they are not carrying the same employment and infrastructural constraints as the public sector (Bjarnason *et al.*, 2009).

2.2 Criticism against Worldwide Development of Private Higher Education Institutions

Issues of infrastructural constraint that are being faced by the public education system was also argued has leading to some criticisms and arguments against the private education providers that they only offer niche courses that are in greatest demand such as the business courses so that they could charge premiums (Suryadi, 2007). Some even argued on their attitudes towards conducting academic researches, and that lack of such quality should not deem them as an academic institution of higher learning. While there are many available arguments in support of the above criticism, other literatures do show that there are situations where private universities are being established by known individuals and some philanthropic organizations that saw a failing public sector and determined to come in with a strong ideological and financial support that will redress this lack of qualitative education system (Guruz, 2008).

This current study is being conducted at particular time when the world is currently experiencing a global financial crisis, whereas either the depth or the breadth of the crisis are yet to be clear to the stakeholders and thus making it difficult for determining or measuring its impact on education sector. Meanwhile, scholarly arguments have suggests that higher education fares moderately well during economic downturns as this, mainly because people will like to use that opportunity to engage in retraining programs with the general hope of having additional advantage during economy recovery. Private higher education is a good alternative in economic situation such as this, because public government funding is currently inadequate in meeting the expected growth in demand for higher education in all

levels, and thus making the non-governmental provisions is rapidly expanding (Arokiasamy *et al.*, 2008). In a recent report by the World Bank in 2009, experts argued that required supports by the government and all other stakeholders ought to be prioritized in crisis times such as we are now (Aihara, 2009). Therefore this current research has provided important guidance to the policymakers on how to measure their business performance at critical economic downturn that Malaysia and the world at large is currently facing.

2.3 Historical Review

After gaining independence in 1957, the post-independent Malayan government facilitated the growth of public universities appropriate to both national and regional circumstances at that time. On the ground, however, the colonial master was still influencing important decisions of the newly independent nation. This is true of higher education. In actual fact, at the time of independence in 1957 there were no full fledged universities in Malaya. A University college of the University of Malaya in Singapore was set up in Kuala Lumpur in 1959 that took in a few hundred students (Sivalingam, 2006).

The higher education system in Malaysia has since the independence in 1957 been generally treated as a unique global public good due to the inherent positive externalities that are associated in its provision (Sirat *et al.*, 2010; Sirat, 2005). Under this arrangement, the government of Malaysia has had great monopoly over the provisions of higher education system until the early 1990s when a policy shift to the private higher education was established and encouraged in order to actualize the expected growth in higher education system (Malek, 2000). This was primarily

designed to meet the growing needs for higher education system among the increasing number of both the domestic and global population that needed university education. The difficulties in attaining the desired provisions of higher education system between 1957 and 1990 were as a result of low budgetary constraints to higher education compared to the allocations that goes into primary schooling (World Bank Report, 2000). Whereas, research have shown that the excess demand for the higher education system in Malaysia was being supplied by the overseas higher institutions of learning, majorly by the United Kingdom, United States of America and Australia (Ishak *et al.*, 2008; Sivalingam, 2006). Given the high cost of studying abroad, the Malaysian government came up with scholarships to support the domestic needs of its citizens that want to study abroad.

Some critical arguments that were raised then are why the government did preferred overseas higher education to licensing private universities in Malaysia. Meanwhile, other factors eventually lead to the need for a change in policy such as the external shock that affected the Malaysia economy between 1985 and 1986, the Reagan/Thatcher doctrine during the early 1980s; Malaysia growth in multinational enterprises which created the need for university graduates; and the new government policy called “vision 2020”. All these and many more necessitated the need for the introduction of the Private Higher Educational Institutions Act in 1996, which serves as the legal and regulatory framework upon which the privatization of higher educations in Malaysia and the licensing of the establishment of local branches for foreign universities, and local private universities and the university colleges were all based. The acceleration of the education sector was further liberalized after the 1997 financial crisis in East Asia which subsequently led to the sharp devaluation in the

value of Malaysian Ringgit, one of the main factors that made foreign education unaffordable for many Malaysians (Sirat *et al.*, 2010).

The aftermath of the 1997 financial crisis led to the loss of comparative advantage by Malaysia in its production of the labor intensive goods, further creating the needs to search for alternative means of production that are more technology intensive oriented in the productions of goods and services that will generate the required growth. In order to effective do this, the government felt the need to expand Malaysia's higher education sector so as to create the anticipated knowledge economy that will support the productions of technology intensive goods and services (Abu Hasan *et al.*, 2009).

2.4 The Development of Higher Education Provider (HEP) in Malaysia

Following the aforementioned historical development of higher education system in Malaysia, this section comprises of the effects of the monopoly that was enjoyed by the government in the provisions of higher education institutions in Malaysia.

Existing literatures shows that the first university in Malaysia is the University of Malaya that was established in 1962, five years after Malaysia independence (Sirat *et al.*, 2010). Following this was the establishment of Science University of Malaya, now called Universiti Sains Malaysia (USM), which was set up in 1969. In that same year another proposal meant to set up a private University to be called Merdeka University was subsequently denied permission by the Malaysia government.

The continuous increase in the market demand for higher education eventual led to the establishment of the third University in 1970 popularly called the National University of Malaysia or Universiti Kebangsaan Malaysia (UKM). The year that follow also saw the establishment of another public university called the Agricultural University of Malaysia or Universiti Pertanian Malaysia (UPM) in the year 1971 and the Universiti Teknologi Malaysia (UTM) also called Technology University of Malaysia in 1972 (Sirat, 2005).

Each of the above five universities were primarily designed with their individual their specific roles and functions that are meant to explore the opportunities in the economy and proffer alternative solutions to the societal problems (Muhammad *et al.*, 2009). Some argued that the University of Malaya was designed as a colonial vintage that is meant to produce the needed elite for the development of Malaysian economy (Sirat, 2005). Similar to University of Malaya is Universiti Kebangsaan Malaysia, a university that was established to create a unique centre that will serve as the Malay intellectual discourse. Both the Universiti Sains Malaysia and Universiti Teknologi Malaysia were designed to produce future scientists and modern technologists that would supplement the required growth.

Evidence has shown that the current trend in the economy has made the Agricultural University of Malaysia to expand its content of graduates beyond the Malaysia's agricultural revolution. This is because enrolments into the public universities eventually doubled between 1970 and 1980 and still wasn't sufficient in meeting the required demand for higher institution for Malaysians within the ages of 19-24 years that have been seeking university education abroad.

In order to meet up with the needs for higher education system, the Malaysia government continued with its educational policy of expanding the higher education institutions by increasing its expenditure on university education for local public universities (Islam & Cheng, 2008). However, this continuous expansion was argued not to be sufficient for higher education demand in Malaysia. Evidence in some literatures showed that in 1980 about 19,500 Malaysian university students were studying degrees in foreign country, a figure which was quoted as slightly less than 20,045 students that are studying in the local public universities (Sirat, 2005).

To further bridge this gap, the government embark on expansion of the university education from 1980 to 1990 by setting up International Islamic University (IIU) in the year 1983 and the University Utara Malaysia (UUM) in the year 1984. The government was said to establish IIUM to specialize in generating Islamic degrees, but UUM was to specialize in providing management courses (Sirat, 2005). What actually led to the emergence of the private university was the continuous increase for degree courses which was quoted to have increased almost three times between 1980 and 1990, specifically from 20,045 in 1980 to around 60,000 in 1990. The government justified this expansion on the grounds that there is the need to increase the current higher education in order to be able to increase the needed manpower that is required for economic expansion due to the high inflows in foreign direct investment in Malaysia (Kamogawa, 2003).

After a strong deliberation on the potential growth in the inflows of foreign capital into Malaysia economy by late 1980s and the subsequent demand for highly skilled

manpower, the government of Malaysia argued in favor of establishing private institutions of higher learning that will provide basic facilities for the pre-university courses such as certificate and diploma courses, with emphasis on technical subjects (Ahmad *et al.*, 2007). The government believes such expansion in higher education will also assist in reducing the outflow of foreign exchange in Malaysians studying abroad.

2.5 Global Growth of Private Higher Education Institutions

Existing literatures have established that the Private Higher Education (PHE) has captured huge attention in the education industry given its tremendous growth in size and revenue in recent decades. The continuous growth in PHE has occurred on a global scale to the extent that the previously marginalized countries have mostly attained a sufficient level in PHE in compared to those countries with longer standing in the provision of PHE. Importantly, much of this development in PHE was said to have occurred between the late nineteen and twentieth centuries, creating another dimension to the public sector affairs that was common in the provisioning of higher education in the past. Bigger percentage of this development in the transformations from the small to the large private enrolments of students in PHE was argued to have mostly taken place in the developing and transitional countries (Aihara, 2009).

Below is Table 2.1:

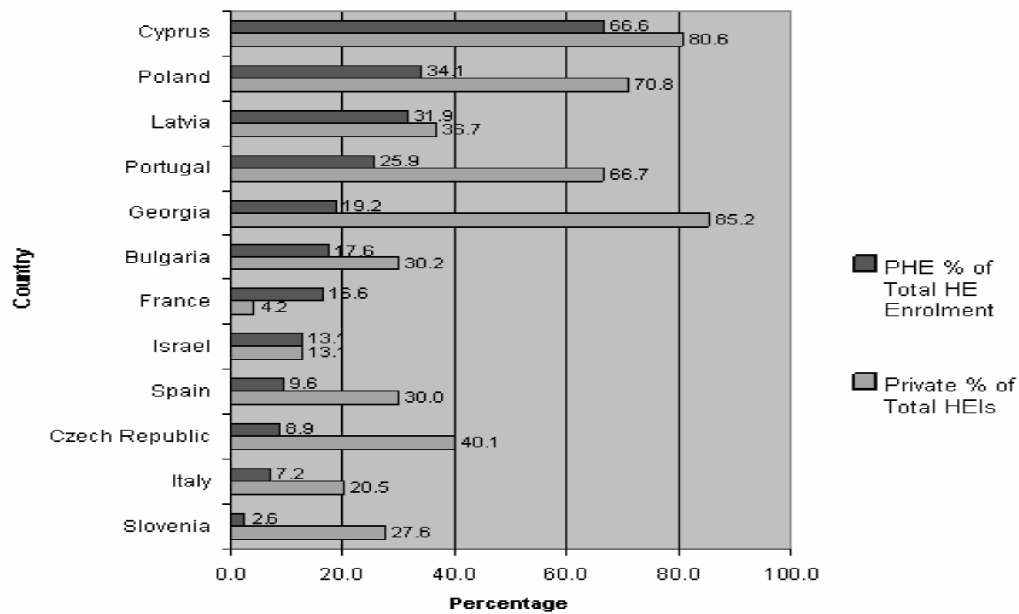
Table 2.1: Enrolment According to Education Levels in Malaysia (2003-2020)

Level of Education	Year					
	2003	2005*	2007*	2010*	2015**	2020**
Post-secondary***	158,459	235,700	296,900	351,700	388,300	428,700
Public College	140,999	200,100	234,200	250,500	304,800	370,800
University (Public HEIs)	280,037	310,500	336,900	371,700	458,300	552,600
Private Education Institutions	337,949	336,900	371,100	465,700	567,800	685,800
Students Overseas	62,301	56,800	50,000	50,000	50,000	50,000
TOTAL	979,745	1,140,000	1,289,100	1,485,600	1,759,200	2,087,900
The number of Population for 17-23 year-olds****	3,277,338	3,399,200	3,510,200	3,628,300	3,840,900	4,147,000
Percent	29	33	36	40	45	50

Guruz (2008) have argued that around 30 per cent in the global higher education's enrolment are currently in the private higher education institutions (Guruz, 2008). In that same study Guruz (2008) went further to argue that no existing region in the world does stand out from the current PHE growth.

The below is ranking of private/total Higher Education (HE) enrolment by country. This has provided detail precision for each region, which has helped us in identifying the basic high to low spreads in enrolment. Staying another moment in Europe before moving to the next-largest region in terms of PHE shares, Western Europe is the striking outlier in regard to PHE expansion and size. Privatization in West European higher education has mostly been about changes in the finance and management of public institutions. Thus, for example, 'entrepreneurial universities' are basically public universities undertaking major reform (Clark, 1998; Wells, Sadlak & Vlasceanu, 2007). Belgium and especially the Netherlands have had large PHE shares, but with strong publicness in rules and finance, and are now sometimes reported as only minimally private. Portugal is a different sort of exception, 26 per cent private in a largely distinctive sector, and Spain now stands out for having some academically prominent PHE institutions (De Miguel, Vaquera & Sanchez, 2005). Figure 2.1 below summarizes Europe's private enrolment and institutional shares by country 2003-2009.

**Figure 2.1: Europe's Private Enrolment and Institutional Shares by Country
(2003-2009)**



Source: International Databases, Program for Research on Private Higher Education (PROPHE), available [on-line] at <http://www.albany.edu/dept/eaps/prophe/data/international.html>.

Richardson and Zikic (2007) have advocated that career development in academic is challenging. They explain that a career does not only focus on intra-organizational mobility but beyond it that includes international career opportunities. A current trend witnessed in the higher education system is the need for higher standards of English that have been a serious problem in facing internationalization and globalization needs (Zuraidah, Pillai, Manuelli, Nambiar, Knowles, Noor, Govindasamy, Mahmud, Hawa, & Hazita, 2008). Universities in Malaysia will increasingly have to operate not only as educators of the domestic young generation, but also as part of global university network. High standards of English are essential

if Malaysian academics should play an effective international role. This has been one of the challenges faced by the academics in Malaysia because of the bilingual policy i.e. Malay and English as languages in school and higher educational system.

2.6 Reasons Behind the Dramatic Growth in PHE

2.6.1 Financial Consideration

In the sixties, seventies and eighties while public universities were State-controlled in that the State determined student intake, and set budgetary and financial regulations, it was during the 1990s that the State began to intervene in matters at the core of academic and institutional autonomy (Morshidi, 2006). State interventions, which many administrators of higher educational institutions and academics found to be very complex and perplexing, besides eroding university (institutional) autonomy (Loh, 2005) were spearheaded by the newly created Ministry of Higher Education, established in 2004. In this connection, we would like to assume that the latest policy changes, as explicitly outlined in the National Higher Education Strategic Plan 2020 and detailed out in the National Higher Education Action Plan 2007–2010 are Malaysia's latest response to the increasing demands arising from globalisation era and the internationalisation of higher education. The private higher education industry in Malaysia has the potential to be a major foreign exchange earner in the future. Merrill Lynch estimated roughly that around US\$2 trillion can be generated from the education business (Radin Umar Radin Sohadi, 2009). The PHEIs as an industry has been growing at an average annual rate of 5.5% from 2000 to 2005 and the growth rate projected from 2006 to 2010 is expected to be 6.7% (The Ninth Malaysian Plan 2006 p. 245). There are many factors driving the industry's growth. The democratisation of secondary education by simplifying the grading process

thereby making it easier for students to reach the SPM (Sijil Pelajaran Malaysia) level, which is the minimum requirement for furthering studies at the higher education level, has increased the number of secondary students eligible for higher education.

One of the major reasons that have led to the continuous growth in PHE was argued to be finance. This is because higher education provision is very expensive nowadays if compared to the basic and secondary educations, making it difficult for the government institutions to fund the required expansion. This scenario has led to two main consequences; (1) Government policies in transferring some of these costs to students in form of administrative charges and tuition fees and (2) new favorable policies towards the establishment of private higher education institutions. Looking at it from financial terms, one would agree to the fact the advent of these private higher education institutions primarily represents strong fundamental shifts from purely public goods that are publicly financed to shared public/private goods, that are joint financed by both the government and the private stakeholders (Arokiasamy *et al.*, 2009). This further confirms the private education providers as the agent of relief to the state in the contribution of skilled manpower to the economy. Noticeably, some have argued on issues of taxation has having a negative impact on the operations of the PHE, an issue that has compelled the PHEIs to transfer those cost to the final beneficiaries (Aihara, 2009).

2.6.2 The Emergence of Private Higher Education in Malaysia

Like all other developing economy, there has been tremendous entrant of private education providers in Malaysia at different levels. In order to understand the present situation as regards the provision of higher education, it is important to understand the emergence of the private ownership of education. The year 1970 marked the genesis of the private participation in higher education (Sirat, 2005). This was started through the provision of pre-university programmes, the providers of twinning, awards of external degrees and professional programmes. As this grows, in the 1980s, there were provision of 3+0 programmes and local degrees in the late 1990s and this no doubt changed as agents for “democratization” and “internationalization” of Malaysian higher education in 2000s.

The implementation of New Economic Policy (NEP) in 1970 further assisted in the development of PHEI. Two aspects NEP related to higher education are the introduction of the racial quota system as the basis for entry into public institutions of higher learning and also the restrictions of PHEI to confer degrees (ibid). The need to introduce this policy after the establishment of the NEP and the approval of permission to PHEI was deem necessary in order to protect possible tactical exclusion of the Bumiputra by the non-Bumiputra.

As a result, many non-Bumiputra (non- natives) were compelled to seek higher education overseas. In the same vein, the period between 1970s and early 1980s, marked the migrating seasons for the Malaysia students; this time, there were large movement of students from the country who were going abroad to read. This then appeared as an opportunity for the private education providers to come in and take

advantage of the government policy, pre-university courses were offered to those students who wanted to travel abroad to study. As Lee (1999) pointed out, this practice became much bigger than planned as a result of the fact that even those who couldn't afford to go overseas for their degree studies were offered various courses to provide them to take up employment in Malaysia. Escalating rise in overseas tuition fees has limited the access to higher education to only the rich (Lee, 1999). Thus, PHEI played an important role of providing alternative avenues for those who preferred to pursue higher education locally or as a second chance for those who failed to gain admissions into local public universities (MOE, 2005).

One important consequence of this was the economic impact of students' attempts to go overseas to read was a huge currency outflow which created a very good impression about Malaysia in the face of international community. According to the report by OECD, Malaysia was one of the fewer countries with the highest number of students traveling to Organization for Economic Cooperation and Development countries (OECD) countries for University education. In a report by OECD, Malaysia was third with a total of 32,709 students in 2001 alone and eleventh position worldwide (OECD, 2003). Recognizing the impact of Malaysia in the provision of higher education, the country has been equally been ranked third most important provider of international higher education.

According to Nelson (2003), Malaysia recorded 14,748 students in 1999 (9,545 onshore and 5,213 offshore), 17,840 students in 2000 (9,866 onshore and 7,974 offshore) and 17,678 students in 2001 (9,467 onshore and 8,211 offshore). However, where it appeared that certain people cannot afford to go abroad for their higher education, certain options were provided for them whereby they can get this degree by

enrolling for external degree programmes such as the University of London law degree or professional programmes, Malaysian Institute of Certified Public Accountants (MICPA), Association of Chartered Certified Accountants in UK (ACCA), Chartered Institute of Management Accountants (CIMA) and Institute of Chartered Secretaries and Administrators in UK (ICSA) and others (Lee, 1999). Due to this, students might choose these programmes as a chance rather than as a choice. PHEI also facilitated “brain drain” among Malaysian students who were frustrated with the higher education policy then. First signs of liberalization of higher education in Malaysia were felt in the mid-1980s with the emergence of off-shore twinning programmes offered by foreign universities in PHEI and programmes validated by foreign professional bodies.

Even though the private universities were allowed to complement the public universities, their roles were still confined to providing alternative avenues for those who preferred to pursue higher education locally or as a “second chance” for those who failed to gain admission into local public universities. However, critics like Jomo has argued that although government expenditure for education has always remained relatively high, education policy has long been preoccupied with achieving interethnic parity in educational attainment, even at the expense of limiting overall educational development. According to Jomo *et al.* (1997), though the intention of the government was to liberalize the education sector by allowing the private providers, there is still glaring shortage of human resources especially in the areas of law and accountancy. One other importance of PHEI is that they also act agents to foreign institutions though this has been as a very higher cost to potential students.

2.7 The Private Higher Educational Institutions Act, 1996

If we must understand the working of the higher education in Malaysia, there must be a trace of history to the enactment that gave birth to that existence. There was a law called the Private Higher Educational Institutions Act of 1996. This Act was the sole power that liberalized the education sector and provided the legal framework for the establishment of twinning arrangements between public and private institutions in one side, foreign and local institutions on the other side; the establishment of private universities, branch campuses of foreign universities and other forms of private higher educational institutions. It's in this Act that provisions were made to upgrading of existing institutions from colleges to universities. The liberalization was considered necessary in order to satisfy the increasing demands for higher education by the Malaysian citizens. In order to also have comprehensive laws governing the overall activities of the education sectors, certain other laws were also made along with the Private Higher Education Act of 1996. These included the Education Act, 1996, the University and University Colleges (Amendment) Act, 1996, the National Accreditation Board Act, 1996 and the National Council on Higher Education Act, 1996 (Arokiasamy, *et al.*, 2009). More recently, the current Minister for Higher Education, when commenting on the review of the University and University Colleges Act, 1975, an act which govern the rules and conduct of university and academic affairs, highlighted once again that the issue of university autonomy and the demand for freer campus life (to be involved in politics) must be weighed against concerns over national security (The Star Online 2008).

Mention must be made here that education sector has received a very important attention in the last years especially by the parliament. A few years after the passage

of the Private Higher Education Act and other laws mentioned above, certain other laws were made to compliment these laws. Among these laws is National Higher Education Fund Board Act of 1997. As a result of this enactment, in 2001 six private universities and three branch campuses of foreign universities were to offer full degree courses. The establishment of the six local private universities was intended to provide courses in engineering, business studies, medicine and multimedia (Government of Malaysia, 2001:109).

With respect to funding, understanding the fact that there could be shortfall of finance of this new policy, the local private universities are financed by large Malaysian Corporations. For example, Universiti Multimedia came into being and being funded by the Telekom Malaysia (TM), the largest Telephone Company in Malaysia. The same tempo led to the creation of some other Universities like Universiti Tenaga Nasional which is due to the investment by Tenaga Nasional, the National Power Company. The government has a Golden Share in these two privatized utilities and hence the formation of private universities is consistent with the Malaysia Incorporated concept introduced by the Malaysian Government in 1983. One other task of the branch campuses of the foreign universities is to partner with the large Malaysian conglomerates such as Sunway Berhad in the case of Monash University and Barlow-Boustead, the YTL Corporation and Lembaga Tabung Antara Tentera (LTAT) in the case of the University of Nottingham. This arrangement is done by the Malaysian government in order to develop the education sector as well as making the education and industry to be exported to other places (Government of Malaysia 1993: 222).

In the period 1995 to 2005, there was a sharp increase in the number private higher institutions. This was as a result of the demand from the public to the government that the rules governing the award of license to private universities be relaxed which was then done by the government providing financial incentives in the 1995/1996 Federal Budget (Kanapathy, 2003). The tax incentives included tax exemption on import duties, sales taxes and excise duties on educational materials; a 100% Investment Tax Allowance for investments in technical and vocational institutions and tax deductions to corporations that make cash donations to government and semi-government institutions of higher learning (ibid).

In many developing countries, and Malaysia is no exception, historically the national government has and continues to steer higher education policy in a direction that is generally considered as in the 'national interest' (Morshidi & Abdul Razak 2008). Arguably, this notion of 'national interest' is best exemplified by the changing relationship between the State and public higher education institutions (in particular the public universities). Admittedly, as important producers of knowledge, universities have become key institutions in the knowledge-based economy (Reichert, 2006) which are continually being scrutinized by both the State and society in terms of their relevance and accountability. So, in this respect this issue of State-University relationship will be with us as long as the State sees higher education as playing an important role in socio-economic and political development. A move to emphasize university and tertiary education as an influencing factor in human capital development is now well entrenched in the national development plans of many countries, including Malaysia (Government of Malaysia 2006).

Our focus on globalisation does not deny the influence of internal factors such as the need for appropriate workforce or human capital to support the Malaysian economy at every transformation stage (Sato, 2005). Along with economic globalisation, these factors were significant in reshaping the higher education in Malaysia in its economic transition from an agrarian economy to knowledge-based economy. The recent experience of globalisation has, however, served as the strongest impetus for reform to ensure Malaysia's higher education sector is consistent with global trends (Kaur, Sirat, & Azman, 2008; Porter & Vidovich, 2000). In this paper, we explore how local economic transitions from an agriculture economy to knowledge-based economy has had a significant impact on the development of higher education policies in Malaysia (Lee, 2004b; Sato, 2005) through the National Development Plans as an example of internal agents responding to globalisation as internal imperatives, with a particular focus on the contribution of globalisation to the higher education sector in Malaysia. According to Ong and Nordin (2003), the economic crisis of the 1997 which affected almost all the countries of the world including Malaysia indirectly changed government or at best assisted in changing government policy in this direction. The liberalization in this sector was further reinforced to allow everyone to participate in the education business which then brought about dramatic growth in the economy. As a result, a total of 26 colleges were granted the approval to conduct 3+0 degree programmes in collaboration with some selected foreign universities (Tan, 2002) to help to reduce the flow of foreign exchange due to overseas study by Malaysians. The twinning programmes especially 3+0 programmes offered jointly with the foreign partners have unquestionably elevated the status of private institutions. They were to enrol their children in courses not only

recognized by government but also internationally and English language be used as the acceptable medium of communication.

However, it cannot be seen to be a surprise that even non-English speaking international students decide to pursue their studies in private universities. It is not surprising also to learn that non-English speaking foreign students choose the private higher education institutions to further their studies. The 3+0 programmes have made private institutions equal partners in providing excellent quality of tertiary education. According to Arokiasamy, *et al.* (2009) prior to this, private institutions were seen as agents for foreign universities and professional bodies and mainly catering for students who could not get a place in public universities or those who wanted to study overseas. Many do not realize that this arrangement is only valid for five year and subject to review by the ministry.

Notwithstanding the success that might be seen here, critics however are quick to highlight that most of these 3+0 foreign partners are from the lower categories especially newly upgraded universities in UK and Australia. In the same vein, as reveal in the government guide, reputable UK and Australian universities were invited to establish branch campuses in Malaysia in 1998. This gave rise to the structural change of the private ownership of private universities in Malaysia. These structural changes in private higher education include the corporate ownership of institutions and the public listing of some PHEI in the KL Stock Exchange (Education Guide, 2003).

For anything it takes, one thing is not in doubt and that is the impact of higher education liberalization in the Malaysia education sector. It is well received and greeted with enthusiasm by all races, particularly the non-Bumiputra, signifying the government's intention to provide higher education to the mass irrespective of race and color. As Ong and Nordin (2002) put it, this has successfully removed a hot issue among the non-Bumiputra since the implementation of New Economic Policy in 1970. However, the current data available has shown that, there are over 500 various PHEI offering myriad of programmes.

The landscape of global and national higher education is in constant change and as a result, the following challenges are likely to become characteristic trends in higher education in many countries: shaping the knowledge society, generating employability, integrating the dimension of sustainability, internationality, quality orientation and competitiveness, development and use of new forms of teaching and learning. 'Living internationality' is already becoming a reality in the context of the EU and is expected to be necessary in Asia in the future (Morshidi 2008a, b). The sudden and unanticipated change in the private higher educational landscape inevitably is either a blessing in disguise or a curse to PHEI. In the same vein, in the opinion of Hashim, *et al.* (2009), "undeniably today, the status of private higher education has been elevated and accepted as on par with the public tertiary education, if not better". Though, this statement is contentious, notwithstanding, the roles of PHEI have become weighty given their leading roles in both the "democratization" and internationalization of Malaysian higher education.

In tandem with the government's plan to increase the higher education, participation rate among the 17-23 age cohorts to 40 percent by 2010. This is to justify that the PHEI play a significant role in the "democratization" of higher education in Malaysia. The primary evidence of this is the increasing number of students that are enrolling in private universities as well as the setting up of new universities by private entities. In determining the effect of Business process reengineering on higher education development, Ahmad, *et al.* (2007) submit that there are several factors that are responsible for the implementation of BPR success. These factors according to Ahmad are teamwork and quality culture, quality management system and satisfactory rewards, effective change management, less bureaucratic and participative, information technology/information system, effective project management and adequate financial resources.

The construct of early State-controlled university in the then Malaya followed the State Facility Model, that is universities are in existence for the primary purpose of implementing State's objectives (Kaneko, 2007). In fact right through the late sixties and the seventies, State-controlled universities were, for all intent and purposes, a part of governmental organisation, generally referred to as statutory bodies. Statutory bodies are established with the objective of implementing certain duties and responsibilities in line with government objectives, that is State-facility model. While serving the 'national interest' public universities were also pursuing objectives that reflect some semblance of Newman's 'idea of a university' right up to the late eighties. Abdul Rahman and Mahani (2007) have alluded to this notion of 'national interest' when tracing the history of the development of higher education in Malaysia. 'National interest' has always been interpreted as nation-building for the

purpose of social justice and national security. In general, it is necessary to distinguish between the public university and private university. According to Selvaratnam (1992), the public universities are those that are fully controlled and funded directly by the federal government and indirectly by the public sector. Private University on the hand are those that are owned, controlled and managed by private individual who are ordinary members of the public. Currently, there are twenty (20) public universities in Malaysia, established between 1962 and 2007. All these universities are offering programs of various disciplines, science, medicine engineering, business and others (MOHE, 2008).

However, one further clarification that needs to be made is the categorization of privately owned university. In Malaysia private universities vary from the universities that are supported by government's business agencies such as Multimedia University of Malaysia, National Power University of Malaysia, Petroleum National University of Malaysia, to those supported by political parties in the present alliance government e.g. University Tunku Abdul Rahman (UTAR), an education arm of the Malaysian Chinese Association, a political party. In addition, there are also some branch campuses of foreign universities in the country, e.g. the campuses of Monash University and the University of Nottingham.

According to Tan and Raman (2009), the intense competition has led to PHEIs lacking the competitive edge to close down. They further add that the former director of the Department of Private Education, Datuk Hassan Hashim revealed that 200 private institutions of higher learning had been closed down in 2002. The PHEIs can be categorised into three types: universities, university colleges and non-university

status PHEIs. This study will focus mainly on the university status and university college PHEIs with significant investments in activities and within the Klang Valley region.

The university status and university college PHEIs tended to focus on science and technology while the non-university status PHEIs offered Arts programmes. Further, the university status and university college PHEIs operates off purpose-built campuses with full facilities while non-university status PHEIs lack proper facilities and normally offer programmes that are easier to deliver and do not require high financial resources. Funding, hence, appears to be a key factor for survival in the industry. Funding, particularly for the non-university PHEIs, comes mainly from student fees and sustained enrolment numbers become the key determinant of survival and market dominance. Indeed many PHEIs had gone for public listing for funding: Systematic Education Group (now known as SEGi University College) in November 1994, Stamford College Berhad in May 2005, Inti Universal Holdings Bhd in June 1996 and HELP International Corp Bhd in May 2007. Furthermore, funding also comes in the form of corporate investments. The corporate sector, with vast resources and management experience, is in a much better position to invest, build up and develop the private sector education industry and to achieve the standard and quality required. They are also better equipped to provide the industrial link and experience for both the staff and students of these institutions, helping in the overall development of the student learning experience (Oh, 2009).

On the other hand, the second category of private university there are those that are commonly referred to as “local private universities”. These categories of universities

are owned by individual's owners, that is outside the control of the government, either through the proxy of the company or directly. As at today, there are 25 private universities in Malaysia. Details of the private universities and states are as presented in Table 2.2 below.

Table 2.2: Listing of Private Higher Educational Institutions (IPTS) 2012

NO	IPTS NAME	STATE
1	Advanced Tourism International College (ATIC)	Penang
2	Adventist College of Nursing and Health Sciences (Previously known as : Kolej Kejururawatan Adventist)	Penang
3	AIMST University (Previously known as : Asian Institute of Medicine, Science & Technology (AIMST))	Kedah
4	Akademi Laut Malaysia (ALAM) Cawangan Terengganu	Terengganu
5	Akademi Laut Malaysia Melaka (ALAM)	Malacca
6	ALC College	Selangor
7	ALFA College (Previously known as : Kolej ALIF)	Selangor
8	Allianze University College of Medical Sciences (AUCMS) (Previously known as : Allianze College of Medical Sciences (ACMS))	Penang
9	Al-Madinah International University (MEDIU)	Selangor
10	Alpha College of Technology (Previously known as : Institut Pengurusan Pujangga)	Negeri Sembilan
11	AMC The School Of Business	Sabah
12	ASA College	Selangor
13	Asia e University (AeU)	WP Kuala Lumpur
14	Asia Pacific Flight Training Academy	Kelantan

15	Asia Pacific Institute Of Information Technology (APIIT Kuala Lumpur)	WP Kuala Lumpur
16	Asia Pacific University College of Technology and Innovation (Asia Pacific UCTI) (Previously known as : Asia Pacific Institute of Information Technology (APIIT Bukit Jalil))	WP Kuala Lumpur
17	ATI College (Previously known as : Institut Pelancongan Asia)	Sabah
18	Aviation Management College	Selangor
19	Berjaya College Of Nursing And Health Sciences	WP Kuala Lumpur
20	BERJAYA University College of Hospitality (BERJAYA UCH)	WP Kuala Lumpur
21	Binary Collage (City Campus) (Previously known as : Binary Business School (Kuala Lumpur))	WP Kuala Lumpur
22	Binary University College Of Management And Entrepreneurship (BUCME) (Previously known as : Binary College)	Selangor
23	Bostonweb College	WP Kuala Lumpur
24	Brickfields Asia College	WP Kuala Lumpur
25	Bukit Merah Laketown Institute Of Allied Health Sciences	Perak

Source: MQR 2012

According to the Act establishing the Private Universities in Malaysia, these categories of universities are vested with the power and the right to award their own degrees at all levels, and the foreign universities award identical degree programs at the host university. Where there are needs for the awards of more and more degrees, the principle is that the number of staff that will be employed will increase

simultaneously. An example of this can be seen in Table 2.3 below; this shows the total number of academics in these universities in accordance with their qualification from 2009 until 2010.

Table 2.3: Number of Academicians of Private HEI by Highest Qualifications, 2009-2010

Degree/Years	2009	2010
Ph.D	1,839	1,937
Masters	10,936	13,328
Bachelor	9,508	10,697
Diploma	1,205	1,193
Others	930	834
Total	24,418	27,989

Table 2.4 Number of Private HEI Offering Programmes by Fields of Study, 2009-2010

Fields of Study	Year	Total	Fields of Study	Year	Total
Basic Programmes	2010	0	Accountancy	2010	158
	2009	0		2009	147
Education	2010	33	Law	2010	21
	2009	28		2009	22
Arts & Humanities	2010	194	Other Social Sciences	2010	86
	2009	196		2009	65
Art, Design and Music	2010	110	Science, Mathematics & Computer	2010	245
	2009	115		2009	231

History and Philosophy	2010 2009	2	Sciences and Mathematics	2010 2009	63 53
Religious Studies	2010 2009	22 21	Information Technology and Communication	2010 2009	182 178
Languages and Linguistics	2010 2009	60 60	Engineering, Manufacturing and Construction	2010 2009	180 187
Social Sciences, Business & Law	2010 2009	518 487	Engineering	2010 2009	118 125
Economy	2010 2009	16 19	Manufacturing, Processing and Construction	2010 2009	28 28
Business and Administration	2010 2009	237 234	Building and Architecture	2010 2009	34 34
Agriculture & Veterinary	2010 2009	3 4	Social Services	2010 2009	4 3
Agriculture	2010 2009	3 4	Services	2010 2009	105 92
Health & Welfare	2010 2009	150 122	Tourism and Hospitality	2010 2009	71 69
Medicine	2010 2009	23 21	Sports	2010 2009	8 4
Dentistry	2010 2009	6 5	Transportation	2010 2009	3 3
Pharmacy	2010 2009	27 23	Domestic and Coiffure	2010 2009	7 9
Health Sciences & Welfare	2010 2009	90 70	Environmental Protection	2010 2009	10 7

Security	2010 2009	6	Total	2010 2009	1,428 1,347
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Source: Information and Data Centre, Department of Higher Education

For the fact that Private Universities merely run Social Sciences, Business and Law courses more than the Science, Mathematics and Computer. In addition, for the fact that social science programs only required less capital, equipment, land and manpower to operate and maintain, there are more universities running those courses than the science based ones. Furthermore, the demand for social science programs is still very high due to the educational policy at the secondary level which focuses on art stream beginning in 1970s and 1980s.

The development of the higher education sector in Malaysia, especially private IHLs looks encouraging when considering the increasing number of institutions in recent years; but this does not mean that the demand for tertiary education in Malaysia is fulfilled. By projection, there is expected to be about 25% increase in the number of post-graduate admission in private schools by the year 2010 and which is being experienced by now. Based on all that have been given above, there is no doubt to the fact that private universities play a very vital role in the relaxing of the tension and the inadequacies of quality higher education by the government owned public universities. Even though there have been several argument against the increasing number of private universities which some have described as expensive, there is no doubt to the fact that they contribute immensely in the growth of the economy in various ways.

2.8 Theoretical Underpinnings

The RBV highlights the firm as a unique collection of resources (Barney, 1986; 1991; Wernerfelt, 1984), but the theory emphasizes that not all these resources possess the potential to provide the firm with a sustained competitive advantage (Clulow, 2007). Previous literature on RBV frequently focused on resources as a stable concept that can be identified at a point in time and will endure over time (Dunford, Snell & Wright 2003). When referring to the RBV, most researchers focuses in strategic context, presenting resources and capabilities as essential to gaining a sustained competitive advantage and superior performance (Ferreira & Azevedo, 2007). The present study will represent the function of entrepreneurship in RBV by highlighting the importance of EO as human resource capabilities. As Casson (2004) points out, RBV is focusing on the importance of human resources, as reflected in competencies and capabilities to the performance of the firm (Teece, Pisano & Shuen, 1997).

Superior performance usually base on developing a competitively distinct set of resources and deploying them in a well conceived strategy (Collis & Montgomery, 1994). Indeed, strategists who embrace the RBV also point out that competitive advantage comes from aligning skills, motives and etc. with organizational systems, structures, and processes that achieve capabilities at the organizational level (Teece, Pisano & Shuen, 1997). On the other hand, firms with bundle of resources that are valuable, rare, inimitable and non-substitutable can implement value creating strategies not easily duplicated by other firms (Barney, 1991). However, it is quite difficult to find a resource which satisfies the Barney's entire VRIN criterion.

Concerning few theories contributes to the RBV development, the following table highlighted the historical view of the underpinning theory and it contribution to RBV:

Table 2.5: Historical View of the Resourced-Based View

Author	Contribution to RBV
(Barney, 1991; Rumelt, 1987; Wernerfelt, 1984)	<p>Suggests that to be sources of competitive advantage, resources must be valuable, rare, inimitable and non-substitutable.</p> <p>Individual resources as unit of analysis.</p> <p>Focuses on state (equilibrium) where firms earned sustained competitive advantage.</p> <p>A strategic resource to one firm is also a strategic resource to another firm. Usually no distinction between resources and their services.</p>
(Nelson & Winter, 1982; Schumpeter, 1934, , 1942)	<p>Technological innovation and “creative destruction” basis of competitive advantage.</p> <p>Managerial action and entrepreneurialism influence firm success rather than market power or industry structure.</p> <p>Firm view as bundle of resources and hierarchies of activities governed by routines and rules.</p>
(Penrose, 1959)	<p>Firm as bundle of resources</p> <p>Firm’s growth is based on the effective use of resources and limited by managerial resources.</p> <p>Entrepreneurship exercised by team, emphasizes alertness as well as judgment.</p> <p>Services rather than resources are stressed.</p>

Sources: Foss (2006); (Galbreath, 2004)

2.9 SME Competitive Rating for Enhancement Tool (SCORES)

The organisational competencies for this study are built around the SCORE dimensions developed by SMIDEC with several emphasis and modifications appropriate for the services industry mainly PHEIs. SCORES was developed to have a sense of the performance of SMEs at firms' level. Studies show that it is important to have the performance indicators in order to measure the PHEIs performance (Owlia & Aspinwall, 1996). The measurement should be comprehensive and integrate all the important components. To this extent, SCORE has received much interest especially from its performance measurement capability (SMIDEC, 2007). The SCORE rated against 6 dimensions of capabilities, Management, Technical, Financial, Production, Innovation, Quality and Business Performance.

2.10 Organizational Attributes

2.10.1 Institutional Image

The image portrayed by institutions of higher education plays a critical role in the attitudes of the institution's publics towards that institution (Yavas & Shemwell, 1996; Landrum, Turrisi & Harless, 1998). Paramewaran and Glowacka (1995) in their study of university image found that higher education institutions (HEIs) need to maintain or develop a distinct image to create a competitive advantage in an increasingly competitive market. It is, after all, this image that will impact on a student's willingness to apply to that institution for enrolment, or a donor considering an endowment, or a company selecting an institution to do contracted research and development. At a time when HEIs around the globe face declining student numbers and decreasing funding grants, it becomes imperative for them to determine their images in the eyes of their various publics. This research study also confirms the

view that the higher education sector can be considered a marketplace and university education a marketable service. The implication from this is that universities can only be successful as long as their student-customers are being offered something that they wish to buy, at a quality they feel is acceptable (Zemsky, Wegner & Massy, 2005, p. 59).

Corporate reputation is sometimes seen as synonymous with corporate or institutional image (Dowling, 1993); as representing outside members' perception of corporate image (Dutton *et al.*, 1994); and as only one dimension of corporate image (Barich & Kotler, 1991; Mason, 1993). Weigelt and Camerer (1988) provide a rather acquiescent definition contending that corporate reputation is a set of economic and non-economic attributes ascribed to a firm, inferred from the firm's past actions. This latter aspect is also stressed by Yoon *et al.* (1993) who hold that "a company's reputation reflects the history of its past actions." Levitt (1965) also defined company reputation in terms of a number of attributes which he sought to identify, maintaining that a company's reputation from a buyer's perception consists of the extent to which the firm is well-known, good or bad, reliable, trustworthy, reputable and believable. Brown (1995) makes use of these attributes to operationalize the construct.

The reputation held about a firm by each public is formed on the basis of direct and indirect experiences and information received (Fombrun & Shanley, 1990; Sullivan, 1990; Yoon *et al.*, 1993). Certain product categories, including service offerings, cannot be assessed prior to consumption hence they are classified as "experience" as against "search" products (Nelson, 1974). In reality, experience is itself a source of information. Reputations can be formed even when the experience by a public is not

direct as long as this is passed on either directly through word-of-mouth, or indirectly via the media or other publics. Restaurants rely heavily for their trade on their reputation as transmitted by word-of-mouth. Firms have varying degrees of control over the informational cues that they transmit.

2.10.2 Financial Strength

Financial resources or factors are considered as one of an internal aspect of the company's competitiveness as mentioned by Bamberger (1989), Man, Lau and Chan (1998). Internal resources and capabilities also include know how and various kind of knowledge, personnel, capital, production equipment, building and others (Harmsen, Gruner & Bove, 2000). However, for the purpose of this study, one of the internal factors to be investigated is financial capability.

Thus, the importance of financial capability is undeniable especially to ensure continuous business operations. Todd and Taylor (1993) reported rapidly growing companies tended to be niche player. They also identified that one of the factors such as access to finance most likely to influence company success. According to the definition of National Foundation for Educational research, financial capability is the ability to make informed judgment and take effective decisions regarding the use and management of the money (Atkinson, McKay, Collard & Kempson, 2007). Mason and Wilson (2000) further argued that the process could lead to desired outcomes.

2.10.3 Strategic Alliances

The rapid growth of international alliances has been encouraged by several factors, some of which are: the internationalisation of markets; the speed, complexity,

interrelation and uncertainty of technological development; increase in costs of Research & Development (R&D); and the necessity for large companies to monitor a spectrum of technologies (Contractor & Lorange, 1988). Hagedoorn (1993) claims that firms engage in alliances not only to increase complexity of new technologies and technological synergies, and to access to new market and opportunities; but also to involve in concrete innovation process, which includes capturing partners' knowledge of technology and shortening product life cycle by reducing the period between invention and market introduction. Hence, alliances aid firms to harness the capabilities and the dynamism of firms to do things that would be otherwise hard to do alone. Firms often find it too costly and cumbersome to develop on their own, all the knowledge and capabilities they need or want to have available.

Firms engage in different forms of strategic alliances for various reasons, the major reasons being economic and technological change. The perceived benefits of alliances can be categorised into two parts. The first is concerned with building new businesses or with introducing new products and the second is concerned with improvement of the current business (Beeby & Booth, 2000). Primary reasons for engaging in strategic alliances include gaining economies of scale and of learning, accessing the benefits of other firms' assets, reducing risk by sharing the capital requirements of new product development, reaching new markets, enjoying first mover advantage by exploiting speed to market, and achieving synergies, systems improvement and other benefits of learning. The major concern about engaging in alliances is its effect on the firm's competitiveness. Despite enhancing firms' competitiveness, alliances also pose some drawbacks.

Ideally strategic alliances will have the capacity to deliver coherence, scale and critical mass to the alliance partners. This is based on the assumption that a transnational education (TNE) strategy should include a coherent profile of TNE provision (around such variables as program delivery models and target countries and regions), delivery by expert departments and faculties of the provider, a focus on reputation and quality, rich and dense partnerships across a range of options for collaboration, and a long term vision and planning time frame, including exit arrangements. Historically, TNE initiatives in universities usually started from academic programs managed by individual academics or departments, likened to a cottage industry approach by McLean (2007): “The early transnational programs were in effect, cottage industries, which often operated outside of regular university procedures, sometimes uncontracted and unregulated. Those days should be long gone. Transnational education is now high stakes, high risk core business for most Australian universities and it is appropriate that this activity be placed under rigorous scrutiny.” (McLean, 2007; page 57)

2.10.4 Quality of Academic Staffs

Hudson & Miller (2004) argued that excellent service quality performance is one of the key factors in building market niche and having the competitive edge that separates one from its competitors. Simand Idrus (2004), Jusoh, Omain, Majid, Som & Shamsuddin (2004), and Sahney, Banwet & Karunes (2008) concurred and they uphold the notion that commitment from the academic staff in the education sector to the overall organizational goal such as in the delivery of high service quality is a better strategy in the case of customer retention and satisfaction.

Minimum qualification requirements for incumbencies of teaching and research staff, procedures of organising competitions to fill these vacancies and performance evaluation of the teaching and research staff are established by the Government. While evaluating teacher performance results, due regard must be paid to assessment given by students. Other requirements for incumbencies of teachers and research fellows are set by higher education institutions. Those requirements may not be less demanding than the minimum qualification requirements for incumbencies of the teaching and research staff established by the Government.

A certified lecturer must continuously improve his or her academic qualifications and teaching skills by participating in in-service training workshops and seminars provided by institutions for enhancing the professional qualifications of teachers. He/she is supposed to spend a certain number of days in a year, share his/her teaching experience and meet the requirements of the qualification category acquired.

2.10.5 Entrepreneurial Firm Culture

Entrepreneurship has received attention from several researchers. Davidsson *et al.* (2002) propose that in entrepreneurship studies “entrepreneurship” has to be defined appropriately. There are various definitions and conceptualizations of entrepreneurship. The mostly accepted definition belongs to Schumpeter (1934 cited in Morris & Sexton, 1996). He defines entrepreneurship as introduction of new goods or new quality of goods, introduction of new methods of production, opening of a new market, utilisation of new sources of supply and carrying out new organisational forms (1934 cited in Morris & Sexton, 1996). This definition

considers entrepreneurship as “the creation of new economic activity”. In this approach, any activity that makes changes in the market is “entrepreneurship”. The “new activity” varies from starting a new firm to internal activities that are new to the firm (Davidsson, 2003). According to this definition firm growth is also regarded as entrepreneurship because growth brings some changes to the external environment as well as to the internal environment.

In firm-level entrepreneurship literature, entrepreneurial firm culture is one of the most common concepts. Organisational culture comprises the fundamental values, assumptions, and beliefs held in common by members of an organisation (Ostroff *et al.*, 2003). It is stable, socially constructed, and subconscious. Employees impart the organisational culture to new members, and culture influences in large measure how employees relate to one another and their work environment. Theorists propose that organisational culture is among the most critical barriers to leveraging new knowledge and implementing technical innovation (Ostroff *et al.*, 2003). All cultures are hypothesized to permeate most facets of the organisation, from the comportment of its managers, to the values that bind employees to one another, to the priorities the organisation pursues. Therefore, one expects the dominant culture to manifest itself in the views of employees at all levels of the organisation (Denison & Spreitzer, 1991).

In order to expand entrepreneurial education within a university, the entrepreneurial activity should not be studied as a separate activity from teaching and research, so HEIs should have a different mission to encourage these developments. In line with this agenda, the Malaysian

Entrepreneurship Development Centre (MEDEC), which was also the first network managed by UiTM, emphasizes further the importance of building strong relationships between HEIs and employers. A lot of effort and emphasis in fostering an enterprising and entrepreneurial culture or a corporate university within higher education has also been made among HEI in the world. According to Marginson and Considine (2000) the enterprise university is about corporate-like executive higher education governance, where public policy has dramatically increased managerialism at universities.

2.11 Entrepreneurial Traits

As pointed out by Nga and Shamuganathan (2010, p. 259) “Personality traits are partly developed by innate nurturing, socialization and education.” The specific school and the educational system in general play a crucial role in predicting and developing entrepreneurial traits. While a school’s curricula should focus on encouraging independence, innovation, creativity and risk-taking, the pedagogical approach should encourage children to make decisions, accept mistakes and learn from them (Ibrahim & Soufani, 2002). However, in today’s business schools around the world, rather than being educated for entrepreneurship, students are educated about entrepreneurship and enterprise (Kirby, 2005; Laukkanen, 2000).

A review of the literature on entrepreneurial characteristics disclosed a number of factors that are attributable to the success of an entrepreneur. Among those factors are innovativeness, creativity, ability to take risks, ability to identify business opportunities, self efficacy, need for achievement, business management skills, marketing skills, manufacturing know how, locus of control, ability to cooperate,

total commitment, determination and perseverance; opportunity and goal orientation; taking initiative and personal responsibility, seeking and using; integrity and reliability; low need for status and power; persistent problem solving and realism and sense of humor (Littunen, 2000; Louw, *et al.*, 2003).

In a study on a Malaysian contextual setting, Ndubisi (2003) has mentioned several common traits of entrepreneurs like innovation, risk taking propensity, perseverance or persistence and flexibility, and these traits are consistently reported in many earlier empirical studies. However, different authors will select different combination of traits or characteristics that suit the nature of the nature of their study and contextual setting. Thus, to perform effectively and subsequently achieve total organisational success, an entrepreneur has to continue identifying opportunities in the market, assuming various types of risks, planning, organising and operating business venture, embracing creativity and innovation, with the view of being rewarded with a satisfactory profit margin.

2.11.1 Need for Achievement

Need for achievement has been defined as the desire to perform something better, solve problems or master complex tasks (Wood, Wallace, Zeffane, Chapman, Fromholtz & Marrison, 2001). McClelland (1961) was the first researcher who established the construct of need for achievement in the entrepreneurship literature. McClelland (1961) theory of the need for achievement suggests that individuals who have a strong need to achieve are among those who want to solve problem themselves, set targets, and strive for the targets through their own efforts. Therefore, entrepreneurs are seen as self-starters who appear to be internally driven by a strong

desire to compete, succeed, pursue and attain challenging goals. Hence, individuals with strong needs to achieve often find their way to entrepreneurship and tend to succeed better than others as entrepreneurs. In other words, there is a relationship between development of achievement motivation and the desire to take entrepreneurial activity. Ever since, the need for achievement theory of McClelland (1961) has become the most applied theories on entrepreneurship because, following the first study by McClelland (1961) more scholar and researchers have given greater attention on need for achievement by exploring its role in generating the entrepreneurial ventures (Casson, 1982).

2.11.2 Locus of Control

Locus of control refers to where people place their beliefs about causes of the outcomes of their behaviours. McShane and Von Glinow (2005) define locus of control as a generalized belief about the amount of control people have over their own lives. In Rotter's (1966) theory, the individual's locus of control varies along the internal/external divide. Internal locus of control is when a person believes that the outcomes stem from internal factors such as their own efforts, ability, decision an opinion. He further stated an entrepreneur is an individual with a high internal locus of control. Thus, having a higher internal locus of control implies that an entrepreneur is responsible for his/her own action and can face whatever failures confronting them. He or she is bold enough to make important decisions and ready to face any consequences that might take place later on. Parallel to this view, another study also suggested that locus of control could distinguish entrepreneurs who are successful from those who are not (Brockhaus & Horwitz, 1986). In other words,

internal locus of control can be regarded as the degree to which people believe they are masters of their own fate (Robbins, 2003).

2.11.3 Innovativeness

This paper is based on an assumption that innovation and a corporate/enterprising university agenda are closely related to each other. Through the development of effective partnerships between universities and businesses as well as communities, a set of productive exchange of knowledge and expertise could be achieved. In the short and long-term, these partnerships may deliver economic and social benefits, particularly in innovation, enhanced growth, efficiency and cohesion and the development of employment skills. According to Etzkowitz (1998) relations with industry have become further complicated as companies see the university as a potential competitor through its role in the creation of new firms.

Innovativeness was once regarded as an exclusively inherited trait. Innovation characteristics is important for organisational to sustain their business and considered as the engine for growth. Creating an innovative product or service is the heart of new venture formation. Innovation theorists often describe the innovation process as being composed of two main phases: initiation and implementation (Axtel *et al.*, 2000). The division between the two phases is believed to be the point at which the decision to implement the innovation is made. The first stage ends with the production of an idea, while the second stage ends as soon as the idea is implemented (King & Anderson, 2002). Innovation is a key factor in sustaining business. There were two major causes influencing the business success of a business are innovativeness and R&D content (Drucker, 2004).

McClelland (1961) agreed that entrepreneurs can perform better if they are creative and innovative while operating a business venture. For example, during the introduction of a new product, entering a new market or processing material for production (Jaafar *et al.*, 2005). Thus, innovation and creativity have to be part of an organisational culture because a leader who is innovative and creative tends to be more susceptible to market needs and environmental change that may bring strong impact to the overall performance of the organisation.

2.11.4 Risk Taking

Risk is referred to as the uncertainty outcomes of an organisation's resource commitment (Ndubisi, 2003) or the probability of incurring a certain amount of loss. From the perspective of decision making behaviour analysis, risks can be divided into three important aspects: risk perception, risk propensity and preparedness to take risk (Brindley, 2005). Thus, risk taking can be referred to as a individual's behaviour that can be influenced by trait, task, cognitive and situational factors (Sitkin & Pablo, 1992).

2.12 Institutions Business Environment

The growing intensity of competition and the larger role that the market is playing provide a new chance for significant gains in how well higher education actually serves society. Competition won't automatically lead to better colleges and universities. These forces must be strong enough to encourage change. At the same time, they must be channelled or restrained in ways that prevent damage. The ability of an organisation to adapt to changing environmental circumstances is the key to organisational survival (Lawrence, 1981; Yasai-Ardekani & Nystrom, 1996) and the

effectiveness of the adaptive response is dependent on aligning the response to the environmental circumstances faced by the organisation (Hambrick, 1983; Lee & Miller, 1986; Miles & Snow, 1978). The firm's response to the environment could be hypothesised from a contingency theory (Donaldson, 2001) or strategic choice perspective (Child, 1972).

Leonard-Barton (1992) contends that core capabilities can become core rigidities in the face of the changing technological environments. The contingency theory postulates that the effectiveness of the organisation depends on the congruence between elements of the organisation subsystem and the demands of the environment, while the strategic choice perspective suggests that through choices made, key decision-makers have considerable influence over an organisation's future direction.

2.12.1 Environmental Hostility

Environmental hostility represents the perceived frequency of change and turnover in the marketing forces of the external/task environment (Aldrich, 1979). In addition to rapid continuous change, sudden discontinuous changes are also prevalent (Sutton *et al.*, 1986). Changes in technology, customer preferences and competitive action are some examples of environmental hostility. Uncontrollable changes in the market evolution, technological evolution, or changes in the value-added system can bring about dynamic, turbulent environmental conditions (Bourgeois & Eisenhardt, 1988).

Miller and Friesen (1983) defined environmental hostility as an unfavorable business climate, featuring intense competition for limited resources or market opportunities.

This environment intensifies challenges to the firm and often complicates firm challenges (Miller & Friesen, 1983). This construct has also been referred to as environmental dynamism, variability or volatility (Child, 1972), and is considered a dimension of environmental uncertainty (Scott, 1992).

2.12.2 Environmental Uncertainty

It is possible to equate uncertainty with unpredictability, which is the inability to foretell future events. Whatever occurs in the environment is likely to affect the degree of uncertainty experienced by its members. Uncertainty is regarded as the “cutting edge” of organisational analysis and, thus, coping with uncertainty is the essence of the administrative process (Thompson, 1967). Environmental uncertainty is characterised by the rate of change of innovation in the industry as well as the uncertainty or unpredictability of the actions of competitors and customers (Burns & Stalker, 1961; Lawrence & Lorsch, 1967; Miller & Friesen, 1983). More specifically, it is the “amount and unpredictability of change in customer tastes, production or service technologies, and the modes of competition in the firm’s principal industries” (Miller & Friesen, 1978).

2.13 Strategic Positioning

Porter (1985) asserts there are basic businesses strategies – differentiation, cost leadership, and focus – and a company performs best by choosing one strategy on which to concentrate. However, many researchers feel a combination of these strategies may offer a company the best chance to achieve a competitive advantage (Cross, 1999; Johnson & Scholes, 1993), which should be aligned to the business objectives.

2.13.1 Differentiation Strategy

Differentiation strategy focuses its efforts on providing a unique product or service (Hyatt, 2001; Cross, 1999). Product differentiation fulfils a customer need and involves tailoring the product or service to the customer. This allows organisations to charge a premium price to capture market share. The differentiation strategy is effectively implemented when the business provides unique or superior value to the customer through product quality, features, or after-sale support. Firms following a differentiation strategy can charge a higher price for their products based on the product characteristics, the delivery system, the quality of service, or the distribution channels. The quality may be real or perceived based on fashion, brand name, or image. The differentiation strategy appeals to a sophisticated or knowledgeable consumer interested in a unique or quality product and willing to pay a higher price.

2.13.2 Cost Leadership Strategy

This strategy focuses on gaining competitive advantage by having the lowest cost in the industry (Porter, 1979, 1987, 1996; Hyatt, 2001). In order to achieve a low-cost advantage, an organisation must have a low-cost leadership strategy, low-cost manufacturing, and a workforce committed to the low-cost strategy (Malburg, 2000). The organisation must be willing to discontinue any activities in which they do not have a cost advantage and should consider outsourcing activities to other organisations with a cost advantage (Malburg, 2000). For an effective cost leadership strategy, a firm must have a large market share (Hyatt, 2001).

2.13.3 Focus Strategy

In the focus strategy, a firm targets a specific segment of the market (Davidson, 2001; Porter, 1979, 1987, 1996; Hyatt, 2001). The firm can choose to focus on a select customer group, product range, geographical area, or service line (Hyatt, 2001; McCracken, 2002). For example, some European firms focus solely on the European market (Stone, 1995). Focus also is based on adopting a narrow competitive scope within an industry. Focus aims at growing market share through operating in a niche market or in markets either not attractive to, or overlooked by, larger competitors.

2.14 Organizational Performance

Most studies on organisational performance use a variety of financial and non-financial success measures. Researchers employ financial measures such as profit (Saunders & Wong, 1985; Hooley & Lynch, 1985), turnover (Frazier & Howell, 1983), return on investment (Hooley & Lynch, 1985), return on capital employed (Baker *et al.*, 1988), and inventory turnover (Frazier & Howell, 1983). Nonfinancial measures include innovativeness (Goldsmith & Clutterbuck, 1984) and market standing (Saunders & Wong, 1985; Hooley & Lynch, 1985). When performance is measured at a variety of levels (e.g. national, industry, company, and product), comparison of results is difficult (Baker & Hart, 1989; Buckley *et al.*, 1988).

Measures of firm performance generally include such bottom-line, financial indicators as sales, profits, cash flow, return on equity, and growth. It is important to determine how a firm compares with its industry competitors when assessing firm performance (Dess & Robinson, 1984). With the multitude of competitive environments faced by firms in differing industries, knowing only absolute financial

numbers such as sales, profits, or cash flow is not very illuminating unless viewed in the context of how well the firm is doing compared to their competition. Therefore, it is important to use an industry comparison approach when making firm performance assessments for organisations sampled from a wide variety of industries.

Lusch and Lacznia (1989) define business performance as the total economic results of the activities undertaken by an organisation. Walker and Ruekert (1987) found primary dimensions of business performance could be grouped into the three categories of effectiveness, efficiency, and adaptability. But there is little agreement as to which measure is best. Thus, any comparison of business performance with only these three dimensions involve substantial trade-offs: good performance on one dimension often means sacrificing performance on another (Donaldson, 1984).

In many research situations it is impractical or impossible to access objective measures of organisational performance. Even if such measures were available it does not guarantee the accuracy of the performance measurement. For example, when a sample contains a variety of industries, performance measurement and comparisons can be particularly problematic. What is considered excellent performance in one industry may be considered poor or middling performance in another industry. If researchers limit themselves to a single industry, the performance measures may be more meaningful, but the generalizability of the findings to other industries is problematic.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Research Design

The research design constitutes the blueprint for collection, measurement and analysis of data. Qualitative research is more exploratory and can provide deeper insight into a phenomenon (Denzin & Lincoln, 2000). By employing qualitative method, this study is exploring the answer to the research questions on what and where, in more in-depth. The questions are constructed to achieve an extended understanding on what is the business performance of the private higher education institutions (PHEIs) in Malaysia. The methodology merits; (a) contribution to knowledge; (b) explorative nature, increased understanding of the concepts and phenomenon from participants' PHEIs viewpoints; and (c) heuristics insights and enlightenment framework to ensure the innovativeness.

Enquiry approach in the qualitative research is considered to be much more fluid and flexible to discover novel or unanticipated findings and the possibility of altering research plans in response to such serendipitous occurrences (Bryman, 1984). A qualitative approach is suitable to explore the meanings that people attribute to particular life events, the business performance of PHEIs in this context. The interviews were conducted with personnel the senior and middle managers of the PHEIs, who are able to give the right information, related to the research questions.

The researcher finds that there is little knowledge to understand the business performance of PHEIs in Malaysia. Therefore, this could be answered and revealed by getting the data collection personally from the participants themselves. By engaging in the “practical” activities of generating and interpreting data to answer questions about the meaning of what others are doing and saying, and then transforming that understanding into public knowledge (Schwandt, 2000).

3.2 Qualitative Approach: Factors

The present study relies upon a qualitative approach to gathering data through interviews. In order to get the understanding on the subject matter, the researcher did group interviews for several sessions using the saturated approach. The naturalistic and inductive nature of qualitative methods requires that operational variables and hypothesis not be determined prior to interviewing the study participants, or that the instrumentation be finalized either (Patton, 1990). Group interviews were based on semi-structured questions in order to achieve the research objectives. The study used purposive to get the participants that held top management positions, academic staffs and administrative staffs at the PHEIs.

3.3 Data Collection and Analysis

Though the study plans to use a qualitative approach dominantly, this is appropriate to answer the research questions, aligned with (Yin, 2009). In this study, the researcher explored a real life case experiences on the business performance of PHEIs, selection by sampling of attributes should not be the highest priority judged against the significant of balance and variety where the opportunity to learn is primary important (Stake, 2000). In this study, the researchers decided to do

interviewing as suggested by Denzin and Lincoln (2000). The data was analysed on a qualitative way, in which the patterns that emerged from the data were matched. It is the intention of this study that the interpretation of all of the analysis will contribute additional building blocks to the current knowledge.

3.4 Reliability and Validity

Yin (2009) stated in judging the quality of a case study research design, in this study the researchers do construction of validity where multiple sources of evidence and establishing the chain of evidence are done in data collection phase, while key informant(s) will review the draft report produced after each interviews. This will reduce bias and increase validity in guiding an insightful indulgent of the business performance of PHEIs attributes (Yauch & Steudel, 2003; Wray et al., 2007).

CHAPTER 4

FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter discusses the results of data analysis obtained from data collected from respondents. It presents the quantitative and qualitative findings about respondent's perception toward the business performance of private higher education. The main purpose of this research is to identify the business performance of the private higher education institutions, in terms of i.e. reputation, accreditation, admission and financial.

4.2 Qualitative Findings

Based on the interviews with the participants from the PHEIs, the researcher has divided it into several parts based on the preliminary findings of the research which further explained the integration of: 1) Clear and well defined mission, values and strategy; 2) Top management and leadership style and support; 3) Participation and total involvement that leads to performance; 4) Transformation and change management; 5) Human resource management; and 6) Departmental integration and communication.

4.2.1 Clear and Well Defined Mission, Values and Strategy.

CEO of PHEI-A:

Well, I think we know where we want to go and what we going to be. I want the staff genuinely in their work to ensure they contribute more and to achieve this level.

Academic Staff of PHEI-A:

We have a very energetic leader and know what is the best for us... It is just like bring up... the moral of the staff after all the hard work that put it in this organisation.

CEO of PHEI-B:

It is transparent enough for us to know where we want to be, I would say that we want to be ahead with our leader. In this region, we have to take bold steps to endure people know about our college. We have so many foreigners and all of them know that they are in one of the best colleges.

Academic staff of PHEI-B:

Sure, we want to be extraordinary, you will get something in the end. Your boss will recognise you as part of the systems and know what the company wants from you. I have no issue since I am very clear of what my boss wants.

The above interview participant's showed the organisation has a clear and well defined mission, values, vision, and strategy. It explains the elements are important in today's working environment, which to ensure employees buy-in and feel highly

motivated since they are aware of the superior's expectation. This creates excitement and challenges, which can contribute to higher productivity of the employees.

The rapidly increasing competition in many industry sectors including the PHEIs have been facing over the past years, in order to remain competitive, must continuously focus and align with the strategies (Carpenti, Buosi & Gerolamo, 2003). The competitiveness of a PHEI is mostly dependent on its ability to perform well in the core business and to adapt itself to variation in demands. PHEIs should focus on the accomplishment of their vision and mission and clearly understand the strategic objectives and market demands. This misalignment between the direction of the PHEIs and practices should be avoided.

4.2.2 Top Management and Leadership Style and Support

CEO of PHEI-B:

I always ensure that my staffs, not only the academic staff, all of them know what they should do.... Don't be surprise; ask my staff, how visible I am...

Academic staff of PHEI-B:

My boss, yes, he is very supportive. Not only him, his wife too... We also know where to go, in terms of the direction. I am always feel motivated, because they show they know that I am capable. The college gives me the opportunity to move to the next level. Thing really makes me becoming more confident and loyal...

The above interview is a clear evidence of the organisation's top management supports and the alignment to the mission statement. Both management and employees explain the importance of the factors increasing the spirit to achieve excellently in performance. An evidence of management's high commitment contributing towards the effect of employee being a valuable asset in the organisation.

Most people in the organization should have a clear idea of what the expectation from the top management and therefore need to be supported (Gale, 2002). That is very crucial in order to manage the successful performance in PHEIs. Apart from motivating the staff, need the top management and leader to show commitment to the new system in the PHEIs. Staff needs to cascade the system downward, working with their own reports to demonstrate directly how the process should work and will work. In addition to demonstrating it, they must coach their reports so that level of management can continue the cascading process. Other than that, employees need to know how they are doing all year round, not just at appraisal time.

4.2.3 Participation and Total Involvement That Leads to Performance

The evidences show that employees in the organisation were given the opportunity to participate in establishing their own performance indicators or providing feedback on them.

Academic staff of PHEI-A:

We have several workshops, and we get ourselves involves in determining our own KPIs. We put something that we can achieve. Of course, not to low...it should be

above the class... So all this experience makes me well equipped to really understand my job and I can see this will make the productivity of whole company also would be better.

Administrative staff of PHEI-A:

Yes, even give a chance for me to surf another job..... even I attended few interviews also then after that it's not suitable for this time to move to another job because of economic situation.

Academic staff of PHEI-B:

What lack in our college is that, seldom had we involved our clients in the determination of our performance measurement, sometimes you will never know what other people expect from you? Do you also think so? Not only me, the course coordinator who are invited to the meetings to establish our KPIs. My other colleagues, the lecturers including the new ones.... yes, I would say that everybody involved in that....

Administrative staff of PHEI-C:

We should involve outside parties in the design process of the performance and KPIs. But we can't, we have constraints...I would say money constraints... This company also, sometimes, in neglected or what would I say? Yes...ignorant that...some people, like me, I am so overloaded with many work burdens. Unnecessary documentations especially ...at the end of the cycle, I don't know what is the value-added, whether it is going to continue and so on...So all this experience goes back to what you want to achieve, or effortless.

Academic staff of PHEI-D:

Yes, outside parties are involved in determining the performance, what they expected...in several occasions, mostly in a formal way...They were the government agencies, industry and trade association, suppliers and partners, and interest groups, our partner university too, I would say that it is necessary....Of course, you have to be ...to have a structured and consistent approach for developing the performance. Through many meetings, I would say that it start with the leader or the management. If they are not competent, we will suffer...

Academic staff of PHEI-E:

No, we never have the adaptable and flexible performance measurement systems, we do not have any indicators, I mean not too tangible.... I also don't know. If you see the staffs, most of us are not too loyal to the college. I am waiting for a better offer elsewhere.

CEO of PHEI-E:

Agree, we should relook on our appraisal systems, Right now we gave the staff a fix salary, no increment.... After 5 years of working here, the staff should know some forms of responsibilities and motivations. They are a lot of things you can contribute, and it is important to retain them in here,

The interview excerpt explains many employees found the importance of appropriate performance and appraisal systems, which mismanagement of it would jeopardise the business performance. The inappropriate performance measurement system

contributes in low productivity and intent to leave the organisation. If it could not be managed well, the experience continues to become a growing issue to many employees at large.

Performance measurement, because of its ongoing nature, can serve as an early warning system to management and as a vehicle for improving business process in meeting the target. It focuses on whether process or activities has achieved its objectives, expressed as measurable performance standards. Performance expectations are established through many ways, including past performance, benchmarking with other facilities, using national or associational measures of outcomes, etc. Also, indicators selected to be measured are based on the services an area provides, and/or activities that are high volume, problem prone, high risk or high cost (Nenadal 2008).

4.2.4 Transformation and Change Management

CEO of PHEI-B:

Strategic change is important in the college. Yes, I would say that it is a core in the college. Beside that the performance is an integral part of the strategic management process.

CEO of PHEI-E:

Our university should focus on what to changes, our strategic intentions to ensure the smooth of the organizational operations.

Academic Staff of PHEI-E:

As an employee, seeing or undergoing the change can be put in two perspectives. One is the positive way, it is adding more value to myself to be perseverance; but at the negative side I become de-motivated, since sometimes we have to do extra works and overwhelm with many activities and meetings.

Academic Staff of PHEI-D:

If the top management could not buy-in employees to embrace change, I think that's why most our staff will leave the company and also even from the executive level they can do the work but then how the management treat the executive is very disrespectful. They sometimes were too harsh. It really hurts the people because sometimes they did not aware of why the need for changes in their work processes.

It was found that the transformation and change management should be done wisely in order to achieve the target, and achieve the best performance of the PHEIs. At the same time, there is a need for the top management to buy in the employees in every level in order to realise the direction of the organisation. PHEIs should be designed to be customer-driven and cross-functional, as Harrington H. (1998) describes three very different approaches that make up the systematic part of change management in the business.

4.2.5 Human Resource Management

Academic Staff of PHEI-A:

Human resource management is very important. Why people should deny the important of it. We have a good policy and systemic procedure of it. This make our

university becoming better compared to our neighbourhood universities or colleges is to manage the human resource effectively.

Academic Staff of PHEI-D:

I am really satisfied of the management here, the way they treat me. Not sure what should I suggest for the betterment...But we have a good structure and a good system in place. We know our job scope well.

Administrative Staff of PHEI-D:

I would say that, if we....the staffs are happy, that is good enough...we enjoy being here. It is like your second home.

Administrative Staff of PHEI-E:

The management should understand that so many private colleges or universities out there, and they have given some attractive benefits to their staff.

The above interview except explains that most organisations stressed on developing human capital for the future growth. Human resource management should ensure the employees understand their roles and contribution, through a clear job scope. Reward and recognition is very important too in order to retain the staff and to motivate them to increase the productivity in the organisation. The special about this college is treat the students just like part of our family. Since, it has a small number of students so each staff particularly the academic staff know everyone of them personally. Their motivation is to make them happy and to feel at home. They are

many outdoor activities to make sure they are happy and enjoy themselves while with the college. So then they will talk positively about us to others. It has been said that you cannot manage what you do not measure (Mudimigh, 2007). Organizations must be able to establish a clear and well defined performance measurement system to allow them to assess the development of the human resource. This is important for motivation, assessing progress, assigning and redirecting human resources (Mudimigh, 2007)

4.2.6 Departmental Integration and Communication

Academic Staff of PHEI-A:

We perform, we know that...you know the secret? It is to put the performance to be integrated with business planning in our organization. We also strategise other related department such as marketing, research and student affairs just to ensure we can work smoothly to achieve our targets.

Academic Staff of PHEI-B:

I make sure the performance is absorbed into the existing management systems and everybody should aware and work towards that. The college has a good communication dissemination. Excellent! We know what the management expected from us.

Administrative Staff of PHEI-D:

We have carried out our responsibilities at our best. Because all our job scopes are well defined. It is always transparent to us.

Academic Staff of PHEI-D:

We clear on who take the responsibilities. We have staff to update the information, enough resources and we are looking for more.

Administrative Staff of PHEI-E:

Oh well, I would say that it is difficult to integrate all the departments into existing management systems at our organization. Let me give examples, the human resource department just get the order from the manager to give the increment, bonus, salary to us...but they are not really know what we are doing. For example, my direct boss did give me some guideline, but still not clear.

Academic Staff of PHEI-E:

The academic department is only busy with its activities or scope....so who going to monitor our performance. Yes, the CEO is too high profile to be reached.

The above interview proofs, the importance of integration of the various departments in the PHEIs. It is important also to have the effective communication in order to get a clear direction. The interview participant explains the importance of transparency for their contribution for the organisation. This clearly explains, for the business performance to be achieved, the management should shows their concern in developing the human capital transparently. In particular, the PHEI-A put high importance on getting many students enrolled at the university, and ensure the students finish their studies on time. Furthermore, the university stress the survival of the university is because the good leadership. The leader is constantly motivate the staff to help the students, and always making sure the staff understand that their

works. The commitment showed by the leader particularly the managing director is very impressive, specifically on the name and reputation of the university. Other strength of the university is the communication where there is no protocol and boundary. The students are encouraged to talk to us about anything. They can call the staff anytime of the day including the managing director. Continuous improvement and function integration are compelling business reasons for the organization (Pritchard & Armistead, 1999). Most organizations that have made an attempt to move toward successful business performance agree that it does indeed provide numerous benefits, including cost savings through a more efficient execution of work, improved customer focus, better integration across the organization, etc. Shaw *et al.*, (2007). Nenadal (2008), explain that a traditional vertical function-oriented organizational structure is introvert and creates functional silos where the business performance interest is focus on whatever happens inside the functional silos and not among them. This leads to a higher autonomy level among business functions which in turn increases the inter-functional coordination and control costs.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

5.1 Business Performance Factors of PHEIs

One could not doubt the important of these factors for business performance of the PHEIs, i.e. 1) Clear and well defined mission, values and strategy; 2) Top management and leadership style and support; 3) Participation and total involvement that leads to performance; 4) Transformation and change management; 5) Human resource management; and 6) Departmental integration and communication.

These are various attempts to improve it. Thus, the improvement of factors is very paramount. Therefore, the continuous improvement of factors is very much well come and encouraging in this regard. According to López (2000), he argued that this can only be achievable if strategies and mechanisms like the use of factors are to be actually implemented. This could in no doubt help in improving PHEIs for their success and survival.

Furthermore, people in the position of authorities, the leaders need to share their vision and mission transparently with the staff. Beside the top management need to further understand about the ecosystem of the PHEIs, for instance, to evaluate and assess the current situation of the universities. For example, they want to know the PHEIs competence, running cost, whether or not the PHEIs were able to achieve their stated goals and objectives.

Furthermore, assessment of performance is essential to diagnose the root causes of problems or weakness so as to determine what areas or activities are the weak points and need to be addressed. For each department and staff the different performance-related dimensions (in particular the customer perspective and the financial perspective) must be considered (Kung & Hagen, 2007).

5.2 Contribution

The exploratory research conducted on the business performance of the PHEIs has provided significant contributions to new knowledge as well as applications to the practitioners. The research recommended several methods can be used in performance measure, there are:

- a) Information on process performance can be gathered with qualitative assessment of current situation. Apart from qualitative analysis of performance, quantification of performance on critical dimensions can also be used as one of the instruments for guiding the identification of processes and dimensions of operations most in need of improvements.
- b) Financial KPIs are doubtlessly the most important and most widely used KPIs for firm performance, and they can also provide some valuable insights into business process performance (Dehning & Richardson, 2002)
- c) The “customer” dimension addresses the aspirations of many prominent academics and practitioners; the “process” dimension concentrates on the internal dynamic management; “people development” recognizes the critical

role of the firm's employees and the "future" dimension is focused on preparing for change whilst sustaining an organization's vitality for years to come. Moreover, the DMP framework provides an opportunity to examine an organization's performance in multiple time horizons, i.e. the "financial" represents the very short-term, whereas the "future" looks at the very long-term. The "people" dimension explicitly acknowledges the critical roles of multiple stakeholders. Equally, the DMP framework depicts sufficient flexibility to be used by different organizations in different industries.

5.3 Conclusion and Future Direction

The competitive market climate has raised awareness of business entities including the PHEIs on the importance of the sustainability of its operation through their business performance. The factors which influenced the performance of the organization is now becoming mandatory requirement to look into and to ensure it's be treated based on the organisation ecosystem. In other words, in conformity with current business environment, the organization should be designed to provide both vertical and horizontal information flow as necessary to accomplish the organization's overall goals. Looking beyond functional boundaries, integration of the functional is important to ensure the business actually works towards its accomplishment of targets and objective. Increased competition is forcing companies to review ways of becoming more efficient and effective (Marr & Schiuma, 2003).

Although along the implementation of specified factors improved organizational performance mentioned, it should be managed internally and per case basis in order to translate into better business performance. Furthermore, most PHEIs need to

understand how key performance measures can guide and focus an organization towards superior results in their chosen area.

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